

CONFIDENTIAL

23 - 25 April 1971
Bilderberg/Woodstock
Agenda Item No. 1

REWRITING THE SOCIAL CONTRACT
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It must have been like this in Babel: so many voices, so many tongues, so many causes. Public interest waxes and wanes as Viet Nam, poverty, plight of urban blacks, crime in the streets, drug use, college unrest, consumerism, women's liberation, pollution and the environment, each in turn commands attention. There seems to be no lasting focus, but the issues remain real and they are not settled.

The very diffusion of public attention suggests that these issues are symptoms of a deeper disturbance. The roots of social instability in the United States are many and complex but two will concern us here: a new awareness of the side effects of unprecedented economic growth of the last generation; and the awakening to a new emphasis on the quality of life which in turn results from the affluence that has been achieved for most, although not yet by any means for all.

Our society is both beneficiary and victim of a unique growth in quantity. Per capita income increased eight-fold during the past century, while population grew five-fold and in cities over one million by seventy-fold. It is no accident that urbanization and population growth accompanied the gain in productivity. Since 1950 real gross national product in the United States has doubled, the median education of the adult population has risen one-third, and the proportion of the labor force in professional and technical jobs has nearly doubled. Meanwhile, the stock of automobiles, for example, has more than doubled. Congestion and pollution have increased at least as fast, while life expectancy has remained virtually unchanged. And so the question is increasingly debated as to how much the sum of human happiness has risen.

There are those - not dissident youth alone - who fear that economic growth is creating problems faster than it is solving them. The very imperatives in the idea of progress: efficiency, rationality and ceaseless change, are seen by these critics as a grave threat to human values: the autonomy of the individual, the integrity of his personality and the unity of society.

Awareness of the quality of life and emphasis on protecting the environment from ourselves as producers and consumers constitute unfinished business carried over from the material surge ahead in recent decades. So too does the elimination of residual poverty and lack of opportunity, the rural lag and urban blight which remain blots on our advance. Consumerism, another aspect of this unfinished business, is really only the gospel of productive efficiency as viewed from the perspective of buyer and user instead of producer and seller. These, of course, are not new priorities, but their current emphasis represents renewed interest in the search for balance in material progress.

There is another, more forward-looking side to social instability. Our long struggle against want is well on the way to being won. In a sense, we are at the end of one age and the beginning of another, in which many people flounder, not only because their choices are so much wider, but also because material prosperity and its broad dissemination are regarded as no more than instrumental values. These values, which have oriented our economy and society for so long, are now so near achievement that they no longer can serve as guides in any simple way. From the present search for new priorities and instrumental values derives a good deal of the social instability of the day. As the title of Patricia Griffith's new novel puts it, "The Future Is Not What It Used To Be".

Expectations, not facts, have always been the leading indicators of history. It is interesting that high levels of output and continued growth nowadays are usually taken as given, and even the elimination of congestion and pollution as accomplished, because these are not values or goals of life, but only conditions for their fulfillment. We know that racial discrimination is wrong, and we are working on the moral equivalent of a heart transplant. We know what a city should not be, and are proceeding to eliminate its glaring flaws. But we have yet to learn, or to agree, as to what a city should be or should accomplish. We know what a corporation should not do: discriminate, pollute, exploit. But what should it do, besides producing a product or service the public wants, and doing it well?

Business Today

President Calvin Coolidge's dictum of the 1920's that the business of America is business sounds strange today. Henry Luce brought that view up to date in 1963 with his revision that the business of business is America. Business leaders have, of course, known this for generations, and have carried social responsibility into practice. They were once damned as paternalistic for their trouble, but attitudes have changed. Milton Friedman still argues that the only duty of business is to make profits for stockholders; but even he views private profit as a public duty, for much of our past achievement was the consequence of business doing well what it knows how to do best: providing the goods and services that people want. Friedman's doctrine finds fewer supporters today. What some businessmen have always done by personal choice is now increasingly accepted as a civic duty.

While the corporation has been transformed, so has the concept of the public interest

A participatory democracy has always existed on paper, but the conditions for its realization are only now being met. Among them, as Thomas Jefferson well knew, is a citizenry educated and informed as never before. More people have the leisure and opportunity to participate to an extent undreamed of in the nineteenth century: we now have something approaching a town meeting on a national scale. Recent triumphs of technology and the broadening of public policy goals have led many to believe that there are more things in our control than were dreamed of by the Utopians. Belief in the power of organized society to set and reach goals has, in turn, escalated expectations. It has propelled many formerly passive citizens to raise their voices and sometimes their fists. They see business as a major influence on the course of events, and therefore want to take a hand in its direction. The clear separation of roles as worker, as citizen, as consumer, that once characterized Americans, has become blurred. The skilled employee, the manager himself, is today a citizen at work.

The family firm has been largely replaced by the legally immortal (though often financially quite mortal) corporation whose products and markets are constantly changing, as are its technologies, plant locations, employees and stockholders. Nothing about it is very private any more. The owner-founder has mostly been replaced by relays of management teams. These are men of a new breed, professionally trained for their functions, career-minded, often taking as much pride in their own skills as in their firm or product. Lacking a founder's identification with one firm, they are mobile and increasingly view their functions as partaking of trusteeship. They are responsive to several publics, sharing a broad perspective as to the place of their corporation, and of business at large, in society. They generally come out of a background different from that of an older generation of businessmen, and have a somewhat different outlook. Most of the 500 largest

industrial corporations in the United States share middle class origins, nearly all have college training, almost half have postgraduate training as well. Although many were schooled in business administration, their education is diversified. In recent years they have included managers fully prepared to operate a shipyard with one hand and a perfume factory with the other, without getting the attar of roses mixed up with the piston grease. Multiple objective management is the pride of the modern corporation and the fact that some objectives are social rather than financial does not seem to overawe the well-schooled business administration graduate.

The large modern corporation, run by professional managers, supervised by a board of directors chosen by stockholders, and constrained by creditors, governments, employees and customers is as complex as many governments and typically more dynamic. It is a leading originator and agent of change, including its own. The 500 largest industrial firms in the United States, for example, accounted for almost two-thirds of domestic sales in 1969. They contributed an even larger share of total research performed and of the technological progress that on one hand complicates the environment, human health and social welfare and on the other hand provides the resources to counter these threats, with affluence and security to spare.

Evolving Role of Business

Because of their overall performance, corporations are increasingly being asked to extend their activities beyond the core function of efficient production and marketing of goods and services. There are even some demands that they become political supermarkets, establishing and enforcing a full line of foreign and domestic policies. Like some children of permissive parents, they face the prospect of a corporate identity crisis.

The emergence of the corporation as the change-agent of society reflects a questioning judgment on government. Back in the 1930's when the self-regulatory functioning of the economy broke down, government stepped in, assuming responsibilities for general relief, for farm income, for employment, for regulation of the conditions of work. Now, after a generation of nearly uninterrupted economic growth, business has reestablished its credentials. In fact, what has caught public attention in recent times is the apparent inefficiency and incapacity of many government programs. Public education budgets rise sharply, but so does criticism of results. The costs of welfare grow even under conditions of high employment, side by side with widespread questioning of the effectiveness of these expenditures. Mail service declines while its deficit mounts. Poverty and malnutrition persist despite holy wars unleashed by government against them. Federal programs for medical care result in sharp escalation of medical costs with little evidence of achieving their goals. Many local governments appear unable to cope with developments in their own communities. Although a segment of opinion in the United States still believes that the public establishment is omniscient and that business does not care, a much larger and growing group has begun to doubt the ability and power of government to carry out the great remaining domestic missions and is turning hopefully to business as the only feasible alternative. It is appealing to many as an idea with yeast in it.

Business, of course, is already discharging enormous social responsibilities in performing its accustomed tasks. It mainly provides the jobs that opportunity is all about, the incomes that relieve us of the drudgery and limited standard of living of our ancestors, the economic progress that gives us hope, the resources for tackling the problems of the day. Without the income and wealth creating power of business in our society, we could not afford the

tomorrow that our people aspire to. But here is the dilemma: the more we expand the agenda of business into areas of little or no return or actual loss, the more we tend to undermine incentives to efficient performance on one hand, or to checkmate management with takeover efforts and stockholder suits on the other. The law of action and reaction is common to physics, politics and economics.

Redefining the Social Responsibilities of Business

In redefining its social responsibilities today, business faces two main challenges: to broaden its system of accounting to include the full social and economic costs of production and growth, so as to better harmonize the incentives of business and the welfare of society; and to utilize its special competence to deal with priority problems of the day.

Social costs of production - You will recall that the sixth labor of Hercules was to clean the Augean stables where the stalls of 3,000 oxen had been untended for thirty years. While it is reported that he did the job in a single day by diverting the waters of two rivers through the stables, the account makes no reference to the consequences downstream.

Some social costs not incorporated in economic decisions, such as the cost of untreated waste discharged into the air, water or upon the land, are borne by the community and society, not by the producer responsible or by consumers of his product. Other social costs, i.e., litter, can be laid at the door of consumers, as costs of consumption not paid by the user, but by those who share his environment. Some social costs however are joint costs which no system of accounting can sort out but which also must be reflected in economic choices. For example, the worst congestion and pollution in our great cities is a combination of industrial location, concentration of urban population, commuting by car, labor migration from farming,

federal subsidies for suburbanization, population growth, and failure of zoning, land use and transportation planning by urban governments. They are the social costs of our freedoms and our institutions. They are nobody's and everybody's fault.

Environmental issues have commanded little attention until recently because few people were aware of some problems until they hit the headlines, such as oil spills; or because their full consequences went unrealized, like the automobile; or for lack of an appropriate institution or authority, as still applies in international waters. Opinion now is in the process of veering from one extreme, with social costs of economic activity largely ignored and falling on society as a whole, to awareness and often exaggeration of these still unmeasured costs and a disposition to charge them to the producer. In some manifestations opinion is shifting sharply from apathy to overkill.

It is widely agreed now that business is accountable for the social costs of its production, that it should consume its own smoke, to paraphrase Dame Rose Macaulay's words in another context. But it does not follow that business can include among such costs those which it does not create, or cannot control, such as the unwillingness of the average automobile rider to fasten his safety belt. Reality, of course, is seldom as simple as our precepts. The voracious national appetite for electric power to operate household appliances, quite as much as for industrial plants, spews sulfur dioxide and other pollutants into the air we breathe. And the American love affair with the automobile, rather than any machinations of Detroit, is really what congests our cities and drives fresh air fiends to close their windows.

Americans, who consume 40 percent of world resources produced, junk

seven million cars, 48 billion cans and 20 million tons of paper annually, but the limitations of the environment now challenge our personal freedom in this regard. The disposable handkerchief, the single-use toothbrush, disposable clothing are, of course, convenient. But who in the end is accountable for a "buy, use and throw away" economy? Ultimately this question must be answered by a political decision which business can help implement but can hardly make.

Costs of growth - There are special costs of economic growth, such as declining industries, distressed communities, displaced people and obsolete skills. The innovative firm that often contributes to these problems does not pay for most of these costs, and it is not suggested that it should, lest economic progress with its widespread benefits be unduly discouraged. Only recently has society begun to accept responsibility for distressed communities and retraining of workers, and the allocation of this responsibility between government and business is still open.

It is also clear that society has yet to face the full implications of metropolitan growth. Its social costs are the combined consequence of a dynamic technology and a free society. It is, of course, perfectly possible to operate a city of eight million without congestion or auto-induced air pollution - look at Moscow. But to accomplish this, most people are denied cars, and the government determines the location of housing, employment centers and service facilities. It would be easier to prevent slums or to eliminate them if the institutions of society controlled migration and residence. It might be easier to cope with the problem of labor redundancy if individuals were denied freedom of education and occupational choice. Freedom comes at a cost, not a profit, and it is the responsibility of society to keep the price as low as possible. Business is the instrument that will build and rebuild, and possibly share

in the running of cities, but citizens through government must make the decisions, including the vital compromise between freedom and order.

Social accounting - Science, said Hobbes, is the knowledge of consequences. But first, we must have the facts. The debate in my country about the supersonic transport well illustrates the point. So too does controversy running among economists over the Administration's target forecast of a \$1,065 billion GNP for 1971. Whatever the total turns out to be, it will include surplus farm products, the medical costs of illness, the pay of policemen required to cope with crime; it will exclude most quality changes. The accounting practices of government, no less than those of business, clearly do not take account of many of the social costs of production and growth.

We have no measure of net social product. There is some discussion in the United States of the need for a Social Report by the President, similar to his annual Economic Report to the Congress, to be prepared by a new Council of Social Advisers or by a reconstituted Council of Economic and Social Advisers. The government of the United Kingdom has begun publication of a new periodical entitled "Social Trends". A current research project in the U. S. identifies over 200 social indicators, compared to which a profit and loss statement is simplicity itself. Yet in assuming new responsibilities, business, no less than government, must specify its goals. It must establish yardsticks for measuring goal achievement, however crudely. It needs to institute accounting procedures to provide information on performance relative to its expanded goals. In its own interest it must let all affected parties know just what it is doing and how well. It needs a bigger scoreboard.

In the narrower area of corporate philanthropy, most companies prepare an annual contributions budget. Many have established contributions committees with their own secretariats to survey potential donations and evaluate results. A growing number have established company foundations, professionalizing the function which Herbert Spencer cynically defined as "being kind by proxy", and separating philanthropy from dependence on the fluctuating fortunes of business activity. Corporations in the United States are now contributing an average of almost one percent of their pre-tax earnings to charitable, educational and related purposes, a sum approaching a billion dollars a year, which may fall short of hopes, but which is many times the amount and twice the percentage prevailing before 1952. The aggregate and the percentage of earnings can be expected to grow under the law which permits contributions up to five percent of earnings as deductible for tax purposes. Beyond these sums, devotion of corporate executive time to community service doubtless will also continue to grow, and this tithe of time is a real and valuable contribution.

Institution-building - Since form and function interact, new institutions are frequently needed for new responsibilities. Business must find ways of reconciling the preservation of productive efficiency with a business-like furtherance of new concepts of the public interest. New forms of business-government partnership will develop, each building on the other's strengths, but the burden of innovation and reform cannot fall wholly on business. Governments too are subject to the new social audit.

The first priority in institutional reform might well be that of local governments in metropolitan areas. Cities cannot be made livable fragment by fragment by fragment. All of the major problems of cities require the combined efforts of all levels of government sharing a city among them. This may take various forms. One is government consolidation of the kind we see in Toronto. Another is the Council of Governments approach in the United States, which has yet to attain real leverage. A third is the special-function agency, such as the Port of New York Authority and transport authorities in several cities. None of this precludes, of course, a key role for business in urban rebuilding and investment, or even in the operation of the vital organs of cities, but a business-government partnership is not very productive where government does not govern.

There are many other variations of institutional reform which have been devised in the United States in reaction to new responsibilities. In regional development they include: the federal-state Appalachian Regional Commission established by Congress to direct development efforts in our largest depressed region; various interstate compacts; state and local hybrids of government and business.

such as the New York State Development Commission; and completely private institutions, such as the Greater Hartford (Connecticut) Corporation established by thirty leading companies.

The federal government has created several "for-profit" corporations in which it retains a voice through appointment of some members of the board of directors. They carry out business activities fraught with public interest whose conduct requires government-like powers. Best known is the Communications Satellite Corporation. More in line with new domestic priorities is the National Corporation for Housing Partnerships, established last year to stimulate construction of housing for low-income families by a combination of equity investments, joint ventures and its own housing projects. The National Railroad Passenger Corporation, also newly created, has been given wide powers to develop a plan (Railpax) of intercity rail passenger transportation, relieving airport and road congestion, with the contribution of government funds and guaranteed loans.

In this process the dividing line between the private and the public sectors becomes more obscure. Governments, for their part, have been making wider use of business methods and criteria in the discharge of many functions. A tendency toward more realistic pricing of services to identifiable beneficiaries, such as users of local utilities or students at state universities, is a case in point. The efforts on behalf of cost-effectiveness analysis in public budgeting is another. The Lakewood (California) Plan, whereby smaller local governments buy services from larger ones instead of each providing its own, and thus achieving joint economies of scale, is a third. The creation of public corporations, like the Tennessee Valley Authority to the new U.S. Postal Service, represents a fourth.

business-type operations, self-financing from the sale of services and access to the capital market and ultimately responsive to the dictates of the consuming public rather than to legislative bodies and government departments.

Much, of course, can be accomplished with minimal institutional innovation. The taxing power of government can be linked with the productive energies of business by contracts for services which business has not been in the habit of selling, nor government of buying. For example, the Office of Economic Opportunity in Washington has contracted with six firms to raise the reading and mathematical skills of 28,000 disadvantaged students, with payment based on performance. An electronics company has been given the task of evaluating and reorganizing the Camden, New Jersey public school system, hiring subcontractors on a performance basis. These are early efforts and no firm judgments are yet possible, but the initiatives are provocative.

Business has often organized on a wider scale for special social goals. The National Alliance of Businessmen, for example, has assumed the obligation of a continuing program to employ and train hard-core unemployed, mostly blacks. The American Bankers Association Key Cities program has set itself the objective of raising \$1 billion for financing minority-owned business by 1975. The life insurance industry is carrying out a \$2 billion program of mortgage lending in selected cities.

Business groups in most cities provide the leadership for community improvement in all its aspects, and have been doing so for many years. That is how downtown Pittsburgh was rebuilt and how air pollution in this steel center was

greatly reduced long before urban decay and air pollution became national issues. The National Council for Air and Stream Improvement was organized by the paper industry as far back as 1943. Keep America Beautiful, a national organization combatting litter, was formed by manufacturers and users of packaging materials years ago. These efforts, to be sure, are piecemeal, makeshift, and haven't begun to keep pace with the growth of the problem but they do provide the background against which more concerted efforts are taking shape.

Beyond legality - There remains a difficult aspect to all this: business management is confronted with the need to make value judgments concerning its activities beyond the criterion of legality. Should a company sell to South Africa? Lend to a pornographer who is operating within the law? Buy from a supplier who pollutes the atmosphere? Deal with a union which discriminates against blacks?

The direct answer clearly is that corporations are legal entities free to exercise their judgment within the law. Usually legality, morality and the economic advantage of the firm coincide. In some cases there may be no economic advantage, no matter how broadly construed, and there may be a penalty. Here a management will make its judgment on grounds that are important to it and its constituencies. For instance, two U.S. mutual funds will not invest in liquor or tobacco shares; another spurns the stock of companies engaged in munitions production. There are funds that invest as a matter of policy in racially integrated housing or in firms devoted to urban and population problems. A leading food company recently refused to locate a plant in an Illinois city until it adopted an open housing ordinance.

There are, of course, many other examples of such corporate decisions.

persuasion are always at hand to seek an increase in the number doing so. But a view that cannot muster enough support to become the official policy of a representa-

~~the government should not be imposed by a majority of the population.~~

Coercion should be a public monopoly, sparingly used. In our pluralistic society, nothing is unanimous and that is why we make do with majority rule. Judgments or programs that are uncongenial to the majority may and often do find a haven in some organization, whether a charitable fund, a city, county or a corporation.

That is as it should be. As part of this tradition, a business should be free to make its own way within the limits of the law and its own power.

Amending the Social Contract

There are many approaches to enforcing the new Social Contract: incentives and subsidies for desirable behavior; penalties or taxes for undesirable performance;

~~regulation, taxation, and other means of controlling behavior.~~

technology that can help find ways out of dilemmas. There is no one best approach, since conditions vary: the feasibility of technological solutions, the enforceability of standards, the effectiveness of inducements.

There is a pair of rules, however, that should guide the choice of methods. First, whatever approach government selects should fit the framework of incentives for productive efficiency. We have yet to find an adequate substitute for the incentives of risk and return and competitive pressure for inducing efficiency in production and allocation. These same incentives can be directed to undesirable activities and products. The role of government is to find the correct mix of alternatives to supply capital, labor, and other resources to the most efficient use.

range its own affairs to the best of its considerable abilities, subject to a revised set of standards. Business needs a considerable measure of freedom, if it is to function at its best. After all, business is people, too. As Nobel Prize winner Paul Samuelson reminds us, Henry Ford cannot operate today like his grandfather did, but neither, says economist Samuelson, can he operate like St. Francis of Assisi.

The second rule is that, whatever government does, it should not penalize compliers and allow a competitive advantage to violators. Only because of this problem is government intervention really needed. ~~But if they were assured that their competitors would do likewise. But if~~ If they were assured that their competitors would do likewise. But if low-sulfur fuel is more costly, or if anti-pollution devices are expensive, Gresham's Law of pollution comes into play: dirty plants and dirty cities drive out clean ones by underpricing them. In setting new standards or changing an old one, enough time must be allowed to avoid unequal treatment of existing capacity and new investment, of plant and equipment of different ages. Where a burden cannot be distributed equitably, or where equity might call for an excessively long period of grace, it is best to resort to incentives rather than to general regulation. This principle would also apply to the extra cost of hiring and training disadvantaged workers.

Standards - The mobility of the population, of business itself, the extensive areas from which goods are obtained and over which they are marketed, all suggest the need for national standards, supplemented by local action. Notice

community has the power adequately to protect its people. It may lack the ~~power~~ to keep out unsafe products; it lacks the effective capability of keeping out polluted air. ~~It may lack the power to keep out polluted air.~~ ~~It may lack the power to keep out polluted air.~~ of jurisdiction which are much higher, and therefore more costly, than standards prevailing in competing jurisdictions.

~~Clearly, the Administration has been mobilizing~~ words have been mobilized by the Administration. A series of air and water quality acts have been building up the power of the federal government to set and enforce standards. The Environmental Protection Agency has been prescribing acceptable maxima for pollution emission. Recent legislation has set a 1975 ~~target for reducing air pollution from automobiles to 90 percent.~~ While Detroit has made a good case against the practicability of this date, supporters of the time schedule assert that, just as the prospect of hanging is ~~used to frighten the guilty, the prospect of hanging is~~ ~~used to frighten the guilty, the prospect of hanging is~~ ~~used to frighten the guilty, the prospect of hanging is~~ would expand the power of EPA to review the safety of pesticides, would allow it ~~to review the safety of pesticides, would allow it~~ prior approval for the introduction of any new chemical. State and local govern- ~~ments are also taking action.~~ community in Maryland now has a law on the books banning all disposable con- tainers within the city limits.

The recent surge of interest that has produced these environmental standards ~~is not new~~ us to the longer history of progress in other areas, such as

labor standards: wages, hours, and working conditions, unemployment compensation and social insurance. The Administration is in the midst of seeking from Congress major revisions in our programs of public assistance and in the system of medical insurance covering most workers. The difficulties of enforcing standards of nondiscrimination in hiring have not precluded progress in fact and in legislation, such as the Equal Employment Opportunity Commission established to eliminate discrimination against women and members of minority groups.

Underwriter of last resort - Most businessmen are risk-takers; it is an occupational attraction and hazard. Every time they support research or enter a new market they take the limited risk of losing their investment. What management cannot do, however, is assume open-ended commitments, such as to employ the entire disadvantaged group or to renew central cities. The continued economic viability of businesses depends on their costs and their revenues in a competitive market. Only governments have revenue sources sufficiently independent of immediate consumer satisfaction or cost-effectiveness for such undertakings. Government must bear the open-ended risks which are not a necessary condition of doing business but a social obligation of all. It must be underwriter of last resort, where greater business risks offer no compensating expectations of return. This is the case with the bulk of insurance for central city slum areas, housing and medical care for the poor, financing for marginal minority business. The banking and insurance industries have pooled their responsibilities and resources for these ends to a degree, but there is a limit to the extent they can employ other people's money which they hold when the problem is not simply a wider sharing of risk, but in fact much higher risks and costs.

International dimension - The jurisdiction of the new Social Contract obviously must reach around the world. Swordfish and tuna caught on the high seas can be contaminated by industrial wastes. Health hazards can cross international boundaries through trade: farm products containing dangerous pesticides, TV sets emitting unshielded X-rays.

Some nations obviously can impose social costs on others, as well as their own citizens. On certain health problems we already have a measure of broad cooperation, through the World Health Organization. On industrial pollution, the U.S. State Department has established an Office of Environmental Affairs, which is examining critical international aspects of problems in such fields as automobiles, pulp and paper and power plants. The OECD has established a Committee on Environment. The UN Economic Commission for Europe has scheduled a conference to coordinate national environmental policies. The NATO Committee on the Challenges of Modern Society has activated a 3-year study of methods of controlling pollution of inland waterways, part of an eight-section schedule. In 1972 the UN will hold a World Conference on Pollution in Sweden at which the U.S. may propose the creation of a World Environmental Institute. In the private sector, the theme of this week's biennial congress of the International Chamber of Commerce in Vienna is, "Technology and Society: A Challenge to Private Enterprise."

It is clear that trade could be seriously affected. The nation whose food products are contaminated, or whose manufactures are unsafe, may find its exports barred. On the other hand, the nation that takes the most effective measures to conserve its environment and protect its citizens may find its products priced out of international markets, or even threatened by imports. Investment could

be redirected to countries with lower standards and lower costs.

There obviously is room here for give and take. Common standards is the ideal, which would leave relative positions unchanged, except that nations whose standards are already high would gain. Until that day, domestic standards must be protected, at least by applying them also to imports. But exporters concerned about their social costs are still disadvantaged. This is a difficult issue, whenever their higher standards are reflected not in the intrinsic value of the product but solely in meeting the costs of various domestic social objectives. In all its many aspects, it is probably not too sweeping to say that achievement of environmental quality calls for international cooperation as far reaching as that required for the atom.

Evolving Social Goals and Priorities

Between nations there is no consent of the governed, only common interests of sovereign states. Within the nation, we have been living under a Social Contract which is undergoing revision because of a change of circumstances and a related change of heart. Along with other parts of society, the role of business is changing because the goals of society are being re-examined. The process of continuing discussion and debate through which we move toward a consensus or compromise on goals and priorities is one in which all elements of society, including business, must participate. Although business will aid in rebuilding cities in conformity with new technology and population needs, for example, it is not for it to make the vital choices between diffuse suburbs and skyscrapers, between subways or expressways, or to devise the land use plans and zoning

codes which shape the environment which, in turn, bends man. Business provides the tools and the alternatives and therefore should have a voice. It is the whole citizenry, however, that must choose and govern.

Looking back at the panorama of material achievement and at the exponential growth of knowledge, it is certain that tomorrow will be unlike yesterday, or even today. As most people become affluent by past standards, each generation will be free to define its own concept of the good life. Goals and priorities, once hemmed in by universal scarcity, now shaped by industrialism, urbanization, and the population explosion, will in time become freer of these constraints. We cannot predict the future, but we can do our best to hand on a strong, productive economy and a mechanism of social choice in good working order, so that succeeding generations may fulfill "...man's responsibility to bring the world, that ought to be, into being."

Gabriel Hauge
1 April 1971